

REVISED STATEMENT ON INTERNAL CONTROL 2006/07 AND REVISED ANNUAL GOVERNANCE STATEMENT 2007/08

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Summary: To present the revised Statement of Internal Control for 2006/07 and the revised Annual Governance Statement for 2007/08 for approval by the Audit Committee in accordance with the District Auditor's recommendations in relation to the Annual Governance Reports for 2006/07 and 2007/08.

The Annual Governance Reports for 2006/07 and 2007/08 are included elsewhere on the Agenda.

1. Introduction

- 1.1 The Council is required to make proper arrangements to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 The Council in presenting its annual accounts is also required to meet the requirements of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to publication of a statement of internal control or governance.
- 1.3 The purpose of compiling the Annual Governance Statement includes an overview of all Council services, practices and policies in providing assurance that the Council's accounts can be relied upon, as they are based on a sound system of corporate governance.
- 1.4 The attached revised Annual Governance Statement sets out the extent of the Council's systems which contribute to its corporate governance and which therefore underpin completion of the final accounts. The Annual Governance Statement is signed off by the Leader and Chief Executive before the Council is asked to agree the final accounts.
- 1.5 During the external audit of the Council's accounts for 2006/7 and 2007/8 the External Auditor identified some omissions and risks not adequately

covered in the assurance documents. The Audit Committee is therefore being asked to approve the amended and resubmitted documents:

- i) A Statement of Internal Control for 2006/7 (SIC)
- ii) Annual Governance Statement for 2007/8 (AGS)

1.6 The External Auditor's findings on the documents are attached at Appendix A.

2 Conclusion and Recommendation

2.1 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

2.2 The attached Statements sets out what the Council has done and put in place to endure as far as is possible that the safeguards are in place that the Council's accounts are properly managed.

2.3 As the year progresses the actions highlighted as required in the draft Annual Governance Statement are monitored through action plans for the Corporate Governance Reports that the Audit Committee receives and includes in his ongoing audit work.

2.4 It is recommended that the Audit Committee approves the revisions to the attached Statement of Internal Control 2006/07 and Annual Governance Statement 2007/08, as shown by the **highlighted text**.

List of appendices:

Appendix A – External Auditor's findings on the Annual Governance Statement 2007/8

Appendix B – Draft Statement of Internal Control 2006/7

Appendix C - Draft Annual Governance Statement 2007/8

APPENDIX A

SORP Checklist

34	Annual governance statement	AGS signed on 4th June 08 – any significant events between then and now are not included in the AGS	MR- given the time taken to prepare the final set of accounts, the opportunity exwith hindsight, should have included interim arrangements for S. 151 Officer and the use of Deloitte’s Accountant to redraft the 2007/08 Statement of Accounts. Not aware of any other issues e.g. credit crunch has not impacted on 2007/08 Treasury Management interest received. 13-02-09 Included comment re interim staffing and buying in private sector resource (in action plan)
35		AGS does not contain an outline of the actions taken to deal with significant governance issues	MR-Separate Corporate Governance Action Plan. Previously advised by A. Wilson, when SIC first introduced, not to include action plan in actual statement. 13-02-09 Now included in action plan
36		AGS contains no reference to budgetary control	MR-Process was considered to be robust. However it was only when the final outturn was produced that this highlighted the weakness in the process. By this time the AGS had been approved by members. 13-02-09 Now included in action plan

AGS Issues

Issue	Response	Agreed Action
In paragraph 3 under the heading of ‘Scope of	This was included as the CIPFA/SOLACE “Delivering Good Governance in local	13-02-09 No amendment required.

Issue	Response	Agreed Action
<p>responsibilities' on page 15 is the wording from 'and also meets the requirements of regulation 4(2).....' required as it talks about a statement on internal control? (already raised in AM review)</p>	<p>Government Framework" publication states at para 1.9, Pg4 that... "In England, the preparation and publication of an annual governance statement in accordance with this Framework is necessary to meet the statutory requirement set out in Regulation 4(2)... For authorities to prepare a statement of internal control. (attached) <u>A</u> statement on internal control not <u>THE</u> statement.</p>	
<p>Doesn't appear to be anything in the AGS on budgetary control / approval of the accounts? (already raised in AM review)</p>	<p>Could insert under "Measuring the quality of service for users..." on P16/17 now pg19</p> <ul style="list-style-type: none"> • Setting a Medium Term Financial Strategy • Quarterly reporting of management accounts compared to revenue budgets and of capital expenditure against the capital programme <p>Insert under "undertaking the core functions of an audit committee..." P18... now pg20 "The Audit Committee considers and formally adopts the annual Statement of Accounts".</p>	<p>13-02-09 Now included as response</p> <p>07/08 Accounts adopted 30-06-08. Revised Accounts resubmitted and adopted 19/11/08</p>
<p>No reference to risk management in the review of effectiveness?</p>	<p>Could repeat under this section P19 the point from "defining and documenting roles and responsibilities..." P17 re risk</p>	<p>13-02-09 P21 Bullet points under review of effectiveness.</p>

Issue	Response	Agreed Action
(already raised in AM review)	management. The Overview and Scrutiny Management Committee and the Audit Committee also considered the update of the Strategic Risk Register Operational risks are identified through Service and Project Planning and are logged on the Covalent performance system, monitored at least quarterly by managers!	
On page 19 it talks about a 'plan to address weaknesses and ensure continuous improvement is in place'. Will need evidence to support this assertion. (already raised in AM review)	An action plan was agreed by Corporate Team, as part of the annual internal audit report on Corporate Governance. This report/action plan was considered by the Audit Committee on 28 th May 2008, prior to consideration of the Annual Governance Statement on 4 th June 2008. The internal audit report/agreed action plan was emailed to Ashley Wilson on 8 th May 2008. All Audit (internal and external) recommendations are logged on Covalent and outstanding actions are reported quarterly to Corporate Team and to the Audit Committee.	13-02-09 added to para on Significant Governance Issues (now in P22) above the action plan.
Significant governance issues identified in the AGS do not include the following:		
<ul style="list-style-type: none"> Budgetary control (already raised in AM 	Not aware of any budgetary control issues. An improved system of monthly	Included in action plan 13-02-09

Issue	Response	Agreed Action
review)	management accounts had been implemented in 07/08, together with monthly monitoring of capital programme.	
<ul style="list-style-type: none"> Reconciliation of key financial systems (already raised in AM review) 	Only some of the reconciliations had not been up to date and these were all completed by year end.	Included with improvement to budgetary control 13-02-09.
<ul style="list-style-type: none"> Staffing issues within Finance (already raised in AM review) 	<p>The Annual Governance Statement was prepared in line with the Committee deadlines for Audit Committee on 4th June 2008. Deadline mid May 2008, timetable attached.</p> <p>At this stage there was nothing to suggest there would be a problem with the accounts or an issue with finance staffing, given the fact there was an Interim Head of Finance and an agency accountant dedicated for 3 months to solely working on the accounts – both contracted to ensure completion of the accounts.</p>	Included reference to this in action plan 13-02-09.
<ul style="list-style-type: none"> Failure to implement IA recommendations promptly. (this was raised as a significant issue in IA's annual report on internal control) 		Included in action plan 13-02-09
<ul style="list-style-type: none"> Weaknesses in Business Continuity 		Included in action plan 13-02-09

Issue	Response	Agreed Action
<p>Planning (this was raised as a significant issue in IA's annual report on internal control).</p>		
<ul style="list-style-type: none"> recent housing inspection which scored Copeland as a poor service with poor prospects for recovery 		<p>Included in action plan 13-02-09</p>
<p>Actions to address control weaknesses identified in the AGS are too vague. There should be specific actions preferably in the form of an action plan.</p>		<p>Included in action plan 13-02-09</p>
<p>Two minor issues:</p> <p>Page 15 refers to approval of annual report and statement of accounts. Was there an annual report?</p> <p>Page 19 has a "ref 7" which is a reference to an Audit Commission document. Ref 7 is lifted from the CIPFA guidance and is not relevant here. Replace with asterisk?</p>		<p>Now pg17 Deleted ref to Annual Report (there was no separate Annual Report) 13-02-09</p> <p>Now pg21 – deleted Ref 7 13-02-09</p>

APPENDIX B

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL 2006/7

1 Scope of Responsibility

Copeland Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Copeland Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Copeland Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Copeland Borough Council's functions and which includes arrangements for the management of risk.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Copeland Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Internal controls have continued to be developed through the year and up to the date of approval of the **Statement of Accounts**.

3 The Internal Control Environment

The key elements of the internal control environment are described below:

3.1 Establishing and monitoring the achievement of the Authority's objectives

- A revised Corporate Plan 2005/07 was submitted to the Executive on 21/02/06, prior to full Authority approval. This was succeeded by a 5 year Council Plan, adopted on 17 April 2007.
- Key objectives are published in the annual Best Value Performance Plan (BVPP) and in the Corporate Plan.

- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2006/07 were in place by April 2006, and the majority of Service Plans for 2007/08 have been developed in parallel with the 5 year Council Plan to reinforce deliverability.
- Targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives is reported to the Executive quarterly. Service key objectives are monitored by the Chief Executive /relevant Director.
- Achievement of the main objectives is also reported annually in the BVPP.

3.2 The facilitation of policy and decision-making

- The Authority's Constitution provides a general framework for governance and is reviewed **at least** annually.
- The Executive meets at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny.
- Individual Portfolio Holders have delegated powers.
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making.
- The Forward Plan details Key Decisions to be made by the Executive.

3.3 Ensuring compliance with established policies, procedures, laws and regulations and the role of risk management

- The Head of Legal and Democratic Services is the Monitoring Officer.
- The Audit Committee was established in May 2006 as a dedicated resource to support compliance with established policies, procedures, laws and regulations and the role of risk management.
- General Standing Orders, the Scheme of Delegation and Contract Standing Orders are regularly reviewed. Contract Standing Orders were revised in February 2005. Financial Regulations were revised in June 2006.

- The Authority adopted the Good Governance Standard for Public Services in July 2005, drawing up an action plan for improvement.
- Full Council 28/02/06 approved the Comprehensive Equality Policy, a Disability Equality Scheme on 12 December 2006 and a Gender Equality Policy on 17 April 2007.
- Level 1 of the Equality Standard for Local Government achieved by April 2006. Plan to achieve Level 2 was agreed by Improvement Board, with requirement for Equality Impact Assessments of services and policies. **[Level 2 was achieved March 2008].**
- There is an approved Anti-Fraud and Corruption Strategy. Training on Public Interest Disclosure Act was carried out during December 2006, and the Whistle-Blowing Policy was reissued to employees and contractors during 2006/07.
- Internal audit carry out annual audits of the main financial systems and cyclical audits of minor financial and operational systems, based on an annual risk analysis.
- Reports on audit activity were made to the Audit Committee.
- A revised Risk Management Strategy and Framework was approved by the Executive on 25/04/06. This includes monitoring of the Corporate Risk Register and Service Operational Risk Registers. Reports on progress with implementation were made to Overview and Scrutiny Committees and Executive.
- The Project Manager for any major project has to submit a Project Initiation Document (PID) to the Improvement Board for approval. The PID includes an evaluation of the risks and documents how they will be managed.
- Councillors completed personal development assessments in 2005/06 **and in subsequent years**. This resulted in a programme of training **for the following years**.
- The Authority's managers undertook a corporate management training programme during 2006/07.
- A dedicated post of Health and Safety Officer was appointed as part of the restructure in 2005/06. The Authority's managers undertook Managing Safely IOSH accredited courses. A comprehensive programme of health and safety training was delivered for employees in all services and new guidance issued

to managers. The 2004/05 Health & Safety Policy was revised and agreed by Executive in September 2006.

- An IT Security Policy was issued in December 2005 and all existing and new Councillors and employees are required to sign up to the Policy.
- A revised Code of Conduct was issued to employees in January 2006 and all employees were required to sign up to this new Code.
- A revised Member Code of Conduct was approved by Council in June 2007.

3.4 Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement

- Some standards and targets have been established for many years. There is a recognised need to extend these and to use them to improve performance.
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/02/06. Work continued in 2006/07 to refine and embed these.
- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by Performance Improvement. Quarterly reports are made to Executive on progress against the BVPI's. Where performance falls below target, corrective action has to be approved, and specific targets are included in Service Plans.
- An improvement plan was drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2006/07 by the Improvement Board.
- Developments in the Comprehensive Performance Assessment process have been consulted upon and responded to by the Authority. Progress in meeting the new requirements has been reported to the Improvement Board and Overview and Scrutiny Committee Performance and Resources.
- The Resources Steering Group ensures that resources are allocated to Authority priorities.
- A Procurement Strategy has been prepared and adopted, together with an improvement action plan. A Procurement Officer **was appointed.**

- A Communications Manager **[now the Senior Communications Officer]** was appointed following the restructure in 2005 and the Communications Strategy was approved in May 2006 by Executive. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance, and an initial evaluation of progress was made in January 2007.

3.5 Financial management of the Authority and the reporting of financial management

- The S.151 Officer (**now the Head of Finance & Management Information Systems**) is responsible for ensuring that appropriate officer advice is given, throughout the Authority, on all financial records and accounts and for ensuring an effective system of internal financial control.
- Monthly budget monitoring reports are issued to budget holders and variances are reported to the Executive on a quarterly basis.
- Quarterly reports are made to the Executive on treasury management and on financial progress of the capital programme.
- Financial Regulations are regularly reviewed. The last review in April 2006 was approved by the Executive and Full Council in June 2006. **[Further review December 2007].**

3.6 Performance management of the Authority and the reporting of performance management

- Quarterly performance monitoring reports for the Corporate Plan and PI's are considered by the Executive. These report against key objectives and against the national BVPI's.
- Quarterly monitoring of performance against Service Plan objectives is carried out by Heads of Services and reported to the Chief Executive / relevant Director. This includes a review of operational risk registers. From April 2006, this also included the monitoring of outstanding audit recommendations.
- Annual employee development interviews link individual performance to the service objectives.
- The Covalent Performance Management system was procured and introduced in 2006/07, with the first quarterly report produced on it going to Executive in February 2007. This has

increased the efficiency and effectiveness on performance reporting.

4 Review of Effectiveness

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

- **Full Council reviewed the Constitution in April 2006, and it was approved in June 2006. The Authority approved further changes in April 2007 to take account of the Local Government White Paper “Strong and Prosperous Communities”.**
- **The Audit Committee considered the annual Audit & Inspection Letter (Audit Commission) in March 2007 and an annual report on compliance with the Good Governance Standard for Public Services (internal audit) on 31 May 2007.**
- **The Executive received regular reports on corporate performance throughout 2006/07 and approved the Best Value Performance Plan.**
- **The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls.**
- **Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team. Completing a full and tested business continuity plan is regarded as a priority for 2007/08.**
- **Overview & Scrutiny Committees - there was one significant control issue arising from the “call in” of decisions. The Enforcement Service’s budgetary imbalance was subject of call-in, review and developing options for future delivery of the service.**
- **The Improvement Board continued to monitor progress on the improvement plan drawn up following the**

Comprehensive Performance Assessment inspection in 2003/04.

- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area.
- There were no S.151 reports issued in 2006/07.
- No Monitoring Officer reports were produced in 2006/07, other than periodic reports to Corporate Team on review of risks.
- Internal Audit updated a review of the arrangements for Corporate Governance in 2006/07 and reported to the Audit Committee on 31 May 2007. Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 31 May 2007.
- External Audit published the Annual Audit and Inspection Letter which was presented to Councillors on 23 March 2007. Other Audit Commission reports included the Auditor's report on the Best Value Performance Plan, the Direction of Travel Report and the Use of Resources Judgement.
- The Benefits Fraud Inspectorate inspected the housing and council tax benefits services. An action plan previously agreed with the Benefits Fraud Inspectorate in 2005/06 was delivered in 2006/07.
- There were no adverse Ombudsman reports in 2006/07.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by all of those mentioned above. Plans to address weaknesses and ensure continuous improvement of the system are in place.

5 SIGNIFICANT INTERNAL CONTROL ISSUES

There were two issues **identified in 2006/07** which could seriously prejudice or prevent achievement of principal objectives. **Work undertaken in preparation of the 2007/08 Accounts highlighted a further issue in respect of the Fixed Asset Register, which has had a material impact on the 2006/07 Statement of Accounts. These issues are detailed below:**

Issue Identified	Target Date
The draft Business Continuity Plan should be	March 2009

APPENDIX C

COPELAND BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2007/08

Scope of responsibility

Copeland Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Copeland Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Copeland Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with this framework can be obtained from the Monitoring Officer. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2008 and up to the date of approval of the **Statement of Accounts**.

The governance framework

The Governance Framework includes:

•• identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- A 5 year Council Plan was adopted on 17 April 2007.
- Key objectives published in the annual Best Value Performance Plan 2007/8 and in the Corporate Plan 2007-12.
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2007/08 were in place by April 2007, and Service Plans for 2008/9 have been developed using the objectives in the 5 year Council Plan to reinforce deliverability.
- Achievement of the main objectives also reported annually in the BVPP for 2007/8, and thereafter in other communications with the public, for example the Council Tax leaflet.
- A Communications Manager was appointed following the restructure in 2005 and a Communications Strategy was approved in May 2006 by Executive. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance, and an initial evaluation of progress made in January 2007 resulted in a further redraft. **[The Communications Manager post has now been replaced by the Senior Communications Officer post.]**
- Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2007/08 by the Improvement Board, in particular the links from CPA into Comprehensive Area Assessment (CAA).

•• reviewing the authority's vision and its implications for the authority's governance arrangements

- Corporate and service targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives are reported to the Executive quarterly. Service key objectives are monitored by the Chief Executive /relevant Director.
- A light-touch refresh of the Corporate Plan was started in autumn 2007, to ensure that the Council's targets and objectives were still relevant and reflect the developing environment for local authorities, particularly in light of the enactment of Local Government and Public Involvement in Health Act 2007. **This was completed in June 2008 and continued to be kept under review.**
- Developments in the CPA and CAA process have been consulted upon, discussed and responded to by the Council. Progress in meeting the new requirements has been reported to Improvement Board and OSC Management.

•• measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Standards and targets have been in place for many years and further development on customer service standards is ongoing.
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/2/06. Work

continued in 2007/8 to refine and embed these, including a mystery shopping exercise.

- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by the Performance Improvement Board.
- Quarterly reports are made to Executive on progress against the BVPIs Where performance is falling short of the target, corrective action has to be approved, including specific targets included in Service Plans.
- Resources Planning Working Group ensures that resources are allocated to Council priorities.
- **A Medium Term Financial Strategy was agreed by Full Council.**
- **The Executive received quarterly reports on management accounts compared to revenue budgets and of capital expenditure compared to the capital programme.**
- Procurement Strategy prepared and adopted, with an improvement action plan. **A Procurement Officer has been appointed.**

•• defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- Council's Constitution provides a general framework for governance which is reviewed **at least** annually.
- The Executive meet at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny.
- The Executive received regular reports on corporate performance throughout 2007/08 and approved the Best Value Performance Plan.
- Forward Plan details key decisions to be made by the Executive.
- Individual Portfolio Holders have delegated powers.
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making.
- Overview & Scrutiny Committees: there were no significant control issues arising from the "call in" of decisions. In 2007/8 the Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources. These reviews resulted in recommendations for changes in Council policy or practice.
- The Improvement Board continued to monitor progress with the Improvement Plan drawn up following the CPA inspection in 2003/04.
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area
- Risk management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. Completing a full and tested Business Continuity Plan was regarded as a priority for 2007/8 and **work continued on integrating individual service needs in 2008/09, a facilitated scenario having been tested in an exercise in February 2008..**

•• developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Councillors' Code of Conduct is signed up to by all Members of the Council
- The Employee Code of Conduct was reviewed and reissued at April 2007. All employees were required to sign to say they had received it.

- Reminders of the Whistleblowing Policy were issued to employees, contractors and partners in 2007/8.
- The Council achieved level 2 of the Equalities Standard for Local Government in March 2008, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors.

• reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The governing body (Full Council) - reviewed the Constitution in April 2006, and full Council approved in June 2006. The Council approved further changes in April 2007 to take account of the Local Government White Paper "Strong and Prosperous Communities". A further review was in hand for May 2008.
- Minor amendments to Financial Regulations were approved in December 2007.

• undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The Audit Committee considered the annual Audit & Inspection Letter (Audit Commission) in March 2008 and an annual report on compliance with the Good Governance Standard for Public Services (internal audit) on 28 May 2008.
- The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls.
- Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 28 May 2008
- **The Audit Committee considered and formally adopted the 2007/08 Statement of Accounts on 30 June 2008. A revised set of Accounts were resubmitted and formally adopted on 19 November 2008.**
- External Audit – published the Annual Audit and Inspection Letter, presented to Members 20 March 2008. Other Audit Commission reports included the Auditor's report on the Strategic Housing Service, Access to Services, Best Value Performance Plan, the Direction of Travel Report and the Use of Resources Judgement.

• ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- There were no S.151 reports issued in 2007/08.
- No Monitoring Officer reports were produced in 2007/08, other than periodic reports to Corporate Team on review of risks.

• whistle-blowing and for receiving and investigating complaints from the public

- There were no adverse Ombudsman reports in 2007/08.
- The Confidential Reporting Code was reviewed and re-launched in 2007/8.

• identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- A Members' Development Plan was in place during 2007/8, arrived at through in depth discussions with individual members. The Council achieved the Members Development Charter form North West Employers Organisation in 2007/8
- The employees' Training and Development Plan was delivered in 2007/8, based on training needs identified through the Employee Development Interviews and service and corporate planning activities.
- The Council held the Investors in People award during 2007/8

•• establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2008/9.
- Through the West Cumbria Strategic Partnership and other partnerships the Council was engaged in a range of activities to communicate with the public, including on the future of the nuclear industry in West Cumbria.
- To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/8.

•• incorporating good governance arrangements in respect of partnerships and other group working, as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

Governing Partnerships: Bridging the Accountability Gap, Audit Commission, 2005.

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements
- The governance of the West Cumbria Strategic Partnership was subject to review in Autumn 2007 resulting in a revised structure and reporting arrangements.
- External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement has been incorporated into improvement plans for 2008/9

Review of effectiveness

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework included the following:

- the Authority has continued to review its Constitution in 2007/8;

- the **Executive** has included in its Forward Plan decisions relating to the Council's governance;
- the **Audit Committee/Overview and Scrutiny Committees** have included a range of reviews of aspects of the Council's governance in their programmes of work, including, in the case of the Audit Committee, some statutory governance reports. **The Audit Committee and the Overview and Scrutiny Management Committee also considered the update of the Strategic Risk Register.**
- the **Standards Committee** has undertaken a review of ethical governance and agreed an action plan for improvement.
- **Internal Audit** has created a plan for and undertaken a number of reviews including governance issues and reported its findings to Corporate Team and the Audit Committee;
- **other explicit review/assurance mechanisms.** Heads of Service have stated that to the best of their knowledge that in 2007/8 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity. **Operational risks are identified through service and project planning and are logged on the Covalent performance system, monitored at least quarterly by managers. Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team.**

Significant governance issues

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee. **An action plan was agreed by Corporate Team, as part of the annual internal report on Corporate Governance. This report / action plan was considered by the Audit Committee on 28 May 2008, prior to consideration of the Annual Governance Statement on 4 June 2008. Following revision of the 2007/08 Accounts, the significant governance issues have been updated. An action plan outlining these issues, together with a proposed target date for each, is shown below:**

Issue Identified	Target Date
Ensure an early monitoring report on the preparation of the 2008/09 Accounts is submitted to the Audit Committee.	April 2009
Submit the Accounting Policies and Principles for formal approval by the Audit Committee, prior to submission of the Statement of Accounts.	April 2009
Ensure that the Council has in place proper arrangements to review and revise the Council's practices in financial reporting to meet the requirements of the latest guidance in accordance with statute. This will include resourcing the Accountancy section to ensure sufficient time is available to carry out quality checks, ensure consistency of accounting treatment and to produce working papers which include an analytical review, whilst still meeting the statutory deadlines. [Interim staffing arrangements and the buying-in of private sector resources have been superseded by the appointment of permanent post holders.]	June 2009
Improve budgetary control by ensuring the reconciliation of control accounts is up-to-date and by implementing robust close-down procedures, thus ensuring the revenue outturn is accurate and the reserves position can be relied upon. Improve capital monitoring by quality checks on the project management data.	June 2009
Improve arrangements to identify and mitigate potential risks associated	July 2009

Issue Identified	Target Date
with partnership working. This will include setting up a register of partnerships, including accountable body status, and financial governance procedures – including risk management.	
Ensure audit recommendations are implemented promptly. The backlog of outstanding recommendations, and progress on implementation, will continue to be reviewed quarterly by Corporate Team and the Audit Committee. Aim to clear the backlog of 2007/08 recommendations.	September 2009
Keep under review the Council's arrangements for Business Continuity Planning, including regular testing of these arrangements.	May 2009
Following an adverse inspection report on the statutory Housing function, an Improvement Plan was drawn up. Need to monitor progress against the Housing Strategy Improvement Plan. [A special Panel has been established for this purpose].	September 2009
Ensure procedures are followed to keep the Fixed Asset Register up-to-date. [SIC 2006/07 refers]	Ongoing in 2009/10
Keep under review the Council's Constitution and take any further reviews to council for approval as required.	March 2010

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:
 Leading Member (or equivalent)

Signed:.....
 Chief Executive (or equivalent)

Date:.....

on behalf of Copeland Borough Council

